

EXAMINER GRIFFITH

THE criticism in last week's COURIER upon the record of National Bank Examiner John M. Griffith and his complicity in the Mosher scandal has been a fruitful subject for discussion in the past few days, and not only have the articles been favorably commented upon by various disinterested persons of prominence, but many have said that THE COURIER'S rebuke, scathing as it was, but partially stated the apparent truth; that Griffith's official record has for years been marked by results that were born of either astute knavery or inexcusable ignorance.

A group of business men and bankers who were conversant with Griffith's career, were this week discussing the recent disclosures, and as they became reminiscent some very interesting facts were disclosed that now form the basis of this additional statement concerning Griffith's official career.

John M. Griffith was for several years, about the latter part of the seventies, a clerk in the Omaha National bank and finally left the bank that, under the patronage and backing of his late employers, he might engage in the banking business for himself at Wahoo, Neb. This venture did not prove as successful as was anticipated and Griffith finally retired at the beginning of President Cleveland's first term. The Omaha National bank officials, however, had no particular use for Griffith in their bank, but as he had always been faithful to their interests, they concluded that the best way to use Griffith was to secure his appointment as national bank examiner for Nebraska, for which position he had aspirations, the bank officials realizing that in this position Griffith would be of valuable service to their bank.

Consequently all the Omaha influence necessary was exerted, with the result that in 1885 Griffith was appointed as a national bank examiner, and entered upon the duties of that position as a protégé of the Omaha National bank in particular, and of all the Omaha banks in general, and how well he has served his masters is best judged by the almost general clamor now made by the powerful Omaha banks to keep him in office.

Griffith's first territory was Nebraska and Kansas, but he apparently proved so incompetent to handle the examination of banks outside his own state that eventually his Kansas territory was given over to other examiners, and Griffith's work confined to Nebraska where, in making his examinations he could be more safely guided by the wishes of his Omaha friends, who profited by his knowledge and by his wire pulling in their behalf. The first four years of Griffith's official career were comparatively uneventful and were marked by few serious embarrassments as now recollected; consequently, so far as the general public knew, his record was apparently satisfactory. Griffith had first been appointed incidentally, because of his strong fidelity to the democratic party and his presumed loyal work in its behalf; but immediately after President Harrison's election, Griffith had a change of heart (?) and it was suddenly discovered that he had always been a passive politician and had never directly or indirectly done anything inimical to the interests of the republican party; hence on the ground that his record had been a clean and creditable one and that the office should be divorced from politics, this same all-powerful Omaha National bank influence was again exerted, this time chiefly through Senators Mander and Paddock and numerous other officials, with the result that Griffith was retained in office.

Having in the first four years of service done practically nothing in closing weak banks under his care, it was but natural to expect that the next four years must, under ordinary circumstances, produce frequent disaster, and it so eventuated, for in his territory have since occurred numerous disastrous failures of national banks that were for years known to be rotten, even by people not on the inside, and the record of Griffith's gross neglect of duty, shameless perjury, or childish ignorance, call it as you may, extends north and south across the state from the valley of the Republican to the valley of the Niobrara.

People in Lincoln are prone to think that Griffith's complicity in the great Capital National bank steals is the first serious break in his record; but an investigation proves the opposite; for an irregular line drawn from Red Cloud in the extreme southern part of the state to Ainsworth in the extreme northern part, will include five towns and six bank failures that afford proof that Griffith as national bank examiner acted the fool or the knave.

It has been frequently claimed that John M. Griffith, as examiner, never closed a bank in his territory, and it is probably true. Certain it is in the numerous cases below cited that if Griffith had done his full duty fearlessly and promptly thousands of people who lost

money in some one of these many bank failures would have little cause to denounce him as they do now, but had it not been that in 1891, while Griffith was on a vacation in California, examiners who had more backbone and independence than Griffith, were sent into Nebraska temporarily from other states, and while here closed several banks, perhaps Griffith might be yet "nursing his hospital cases" as he is pleased to refer to banks that are in a dangerous condition.

Red Cloud, the county seat of Webster county, one of the oldest towns in the Republican valley and formerly the most prosperous, has been doomed to more disaster than almost any other place of its size in the state, and the greater part of it is attributable to the wrecking of the First National bank and the Red Cloud National bank, both of which were closed in 1891 after the intrinsic assets of both banks had by smooth manipulation been dissipated until the remains were as the dry pulp of an orange to a once juicy fruit. This process had been going on for years, and was openly talked over around town for a long time before the bank failed, but bolstered up by Griffith's apparent inactivity, the banks were enabled to continue business, though each day the institutions were poorer than before, until finally came the days of closing, never again to open. Now the receivers of these banks, after heavy assessments upon the stockholders are slowly grinding out dividends to creditors, and today in Red Cloud, the stockholders who were nominally prominent in the management, condemn Griffith for not doing his duty and having the laws carried out years before.

At Hastings, however, was witnessed the most flagrant abuse of authority, and it was there that occurred in August, 1890, probably the most disastrous bank failure in the state for many years, excepting the Capital National collapse, namely, that of the City National bank. Here was a bank that was controlled by one Harrison Bostwick, a man who aspired to be a second Boss Tweed, and one who was a man after Mosher's own heart, and one who trained with the same crew. The bank was for years run on state and county money chiefly, and it was openly talked in local circles for years that there must eventually come an evil day when on account of the curtailment of Boss Bostwick's political pull, the bank would then fail, unless Bostwick should choose to have it fail sooner.

Griffith, as examiner, was not only supposed to be fully cognizant of all that was going on inside the bank, but he was frequently warned by outsiders that the bank was rotten to the core, but even in March, 1890, he strenuously denied this to parties whose opinions he had asked confidentially.

In the latter part of July or early in August when serious rumors about the bank were in circulation at home, Boss Bostwick, the president, sent for Wm. Gaslin, judge of that judicial district, the judge being a stockholder to the amount of \$10,000 and to allay the suspicions of the people, Bostwick so successfully convinced the judge that the bank was all right that Gaslin went about town talking \$125 per share for stock, etc., and such farcical transactions were kept up for two or three weeks, during all of which time gossip of the worst kind was afloat; but ask where was the national bank examiner, and echo answers.—Where? The bank closed its doors voluntarily in August, 1890, after all the available assets had practically been exhausted by Bostwick, and the examiner was sent for.

After his arrival Griffith held audiences in the back office of the bank and with tears in his eyes, in his peculiarly sympathetic way, assured inquirers that it was a shame that such a prosperous institution should ever have been allowed to close its doors, and that had Mr. Bostwick notified him, he (Griffith) could have prevented all the trouble; but as it was there was sufficient surplus fund alone to meet all shrinkage and impairment of capital, and that without any assessment the bank could in a few days resume and continue without further trouble. His promises about immediate resumption were not fulfilled, however, and Judge Gaslin who had \$10,000 stock in the bank, sold his stock to E. M. Morsman, a well known capitalist, of Omaha, for one dollar upon Morsman's execution of an indemnity bond to secure Gaslin against loss by assessments. Morsman took the stock upon Griffith's advice and against the advice of friends and local business men, he advanced the money to put the bank upon its feet again.

During the re-organization, Griffith made an examination that lasted several weeks and had what he was pleased to term a conference of the other bankers concerning the paper in the City National bank. Griffith called in two cashiers and one president from the other three national banks of the city to pass upon the paper of the bank. That this was a farce was then and since stated by the very bankers who participated. When asked about the matter they said that Griffith would take up a piece of paper and Bostwick would say it was secured thus and so, whereupon

the three outside bankers would say you have that security or if the circumstances are so and so, the paper is probably good, bad or indifferent, as the case may be.

Thus was an important duty turned into a burlesque, as is shown by the results. Griffith's report was so favorable, that finally in September, 1890, the bank resumed business with E. M. Morsman, of Omaha, as president; the stock having been assessed 50 per cent, of which 10 per cent was to be paid in cash, 20 per cent in January, 1891, and 20 per cent in June, 1891, as is now understood. The bank continued until December, 1890, when it made a second failure and passed into the hands of a receiver, who, after vainly working on the collection of the assets for over two years, succeeded in getting in enough funds to pay one 15 per cent dividend. Finally in August, 1893, the uncollected assets of the bank, consisting of secured and unsecured paper, mortgages and judgments, were sold at auction by the receiver in separate lots, and the whole, amounting to over \$100,000 at face value, brought only \$1,100, and this very paper to the amount of \$100,000, was a part of the bank's assets when Griffith permitted it to be re-organized (so that his friends might get out) and the most of it had been passed upon by him and pronounced good, apparently; but why go on at present writing with further details of this failure?

And why refer to the numerous other failures that reflect equally to Griffith's discredit? Yet a long and interesting story might be told about Griffith's connection with the defunct Citizens National bank of Grand Island, in which Morsman was also connected; yet Morsman's connection with Griffith is so peculiar that Morsman openly shields Griffith and is his staunch defender.

It would also prove interesting reading to relate here how Griffith handled the defunct Central Nebraska National bank at Broken Bow, which failure occurred in the fall of 1891, and this was one of the most rotten possible for a bank of that size.

It was this bank that ex-United States Senator Paddock was interested in keeping up; Paddock's son-in-law being the president and managing owner, and this would partially explain why Senator Paddock, a republican, made such an effort to have Mr. Griffith, a democrat, retained as examiner, though another tale could be told as to why, since the bank is now defunct, Mr. Paddock has lately worked so hard in Griffith's behalf. However, we reserve these and several other topics for future discussion and submit these facts to be digested by the public and the government officials.

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